(5) Multiplying the percentage of parity arrived at in step (4) by the average individual commodity price prevailing during the five-year period to get the desired parity price for each commodity. This would give the parity prices.

Price would be supported by compensatory payments on the part of the crop used for domestic production.

A high level of support would be intended by the program.

RESOURCE USE AND FARM PRICE AND INCOME PROGRAMS

By Harold G. Halcrow

It is the objective in this paper to briefly discuss farm income and resource programs within a broad setting, not confined to direct price and income supports but including general problems of resource allocation and efficiency in a long-range setting. Moreover, it is the objective to outline how these questions may be placed before a general farm audience in a meeting where agricultural policy is under discussion. The outline may be presented in a variety of ways but is perhaps best presented by giving the broad setting and objectives of agricultural policy before turning to the discussion of programs and means.

THE SETTING FOR FARM INCOME AND RESOURCE PROGRAMS

Two main topics, (1) farm production and efficiency and (2) the level and stability of farm income, are described as the major parts of the setting. These are presented as the income and resource problems with which policy attempts to deal. The following topical heads are suggested as a basis for discussion:

1. FARM PRODUCTION AND EFFICIENCY

a. General efficiency and productivity of agriculture in the United States.

b. The range of efficiency in agriculture—with discussion of underemployment, size of farm, and capital allocations associated with the range in efficiency.

c. Relationships of capital, farm size, and uncertainty to production efficiency.

2. THE LEVEL AND STABILITY OF FARM INCOME

a. The general level of farm income, with comparisons to nonfarm income.

b. The range in farm income, and the relationship between resource allocation and income distribution.

c. Farm income instability and factors associated with unstable income.

These are topics which may be included in the setting. Some of the material is familiar to farm audiences; perhaps most of it is familiar to agricultural economists. The purpose in presenting it is to let the audience know the problems on which attention is being focused. The discussion of farm production and resource efficiency provides a convenient basis for coordinating the farm income problem with objectives of policy and the means employed in various programs.

THE OBJECTIVES OF FARM INCOME AND RESOURCE PROGRAMS

The objectives of farm income and resource programs are difficult to define but in general three major objectives are found acceptable: (1) increasing efficiency, (2) raising and stabilizing farm income, and (3) maintaining freedom and general welfare, involving perhaps some emphasis on the family farm, education, and community development.

One may point to the work of the extension service and experiment stations as programs to increase efficiency. The question may be raised about who gains from increasing efficiency, and discussion may follow about the conditions under which an expanding output or increasing efficiency is associated with a rising average level of farm income. Specifically this points to the desirability of obtaining population mobility and of establishing programs that will help to increase size of farm and reduce underemployment, if higher levels of living are to be attained under an expanding farm output. This helps to lift policy discussions out of the narrow role of price-support programs into the broader programs of credit, demand stabilization, and resource development.

Raising and stabilizing income as an objective of policy is related to the income situations previously discussed, and rea-

sons for raising and stabilizing income are considered and evaluated. Finally, more than passing notice must be given to the fact that certain values are placed on economic and political freedom, the family farm, and community development because under certain income-resource programs conflicts arise between these objectives and the income and efficiency objectives.

MEANS OR SPECIFIC FARM INCOME AND RESOURCE PROGRAMS

Discussion of the setting and objectives forms a background for the discussion of means or specific programs. From here on the discussion involves the impact of specific means or programs in respect to the setting and objectives. What programs are to be discussed depends on the interest of speaker and audience. A suggested outline is as follows:

(1) PRICE SUPPORTS AND INCOME PAYMENTS. The impact of price supports and income payments can be appraised in respect to the following:

(a) Production effects in a year and over a longer period of time.

(b) Indirect income effects of the subsidies, taking account of the production effect.

(c) The incentives for production controls, developed by price-support and income-payment programs.

(d) The effects of price supports and income payments on storage and trade programs. The conflict between high price supports and freer trade can be made explicit as a basis for evaluating price and income programs.

One of the economist's most important contributions, in discussing price and income programs, is an evaluation of costs and benefits of the programs. Specific account can be taken of the effects of various programs on price and income certainty, on the allocation of capital, on employment and mobility, and on the incentives for production and marketing controls. Some gains in farm price certainty may be offset by administrative controls. One may wish to discuss the long-range impact on farm income and resource efficiency of income-support programs involving various types of production control.

(2) CONSUMERS' SUBSIDY AS PART OF DEMAND STABILIZATION. It may be appropriate at this point to discuss the fluctuations in demand associated with farm income instability and the various methods—including monetary-fiscal policy, wage stabilization, etc.—of stabilizing demand. The consumers' subsidy can then be presented in more complete perspective and its role in prosperity and depression appraised.

(3) FEDERAL FARM-CREDIT PROGRAMS. Mention may be made of the fact that since low income in agriculture is associated with excess labor resources and inadequate capital on individual farms, credit programs can be a means of raising the general level of efficiency by expanding the size of farm in some areas and by creating mobility through liquidation of inadequate farm units. Discussion should recognize the potentialities of federal credit programs in expanding size of farm and creating greater labor efficiency. Credit, as a means of resource adjustment, opens up a broad phase income policy.

(4) LOW-INCOME PROGRAMS. A low-income program—that is, a program designed to eliminate low income—involves primarily resource adjustment techniques, expansion in size of farm and capital of the farm operator, and elimination of certain low-income units. The problem may be discussed as one of resource adjustment, involving credit, special farm management services, and aids to mobility. The importance of expanding industrial employment must be recognized. The limitations of price policy in correcting low income should be made explicit.

(5) RESOURCE DEVELOPMENT AND CONSERVATION PROGRAMS. A discussion of income supports usually involves some comment on ACP and related programs. It is perhaps appropriate to discuss production effects of such programs from which certain inferences about their income effects can be made. The problem is to define the costs of the programs and the location of benefits, a problem having a bearing on farm income and resource use.

CONCLUSION AND COMMENTS

There is no clear-cut line defining the optimum breadth of a discussion on farm income and resource programs, and there is more than one way of presenting the topic to different audiences and under various conditions. The basic outline that has

been discussed may be presented by outlining the setting, the objectives, and the means in parallel vertical columns on blackboard or flannel graph, or it may be presented verbally. The approach—of presenting various data on the agricultural situation and relating the objectives of policy to these—serves rather well on occasion as a basis for discussing the impact of alternative programs on farm income and resource use.

FARM PRICE AND INCOME PROBLEM

A Critical Evaluation

By L. J. Norton

I consider the production of *Turning the Searchlight on Farm Policy* a remarkable feat. The committee who worked on it was not asked to draw up a bill of particulars for a program or a revision of any program, but to set down basic principles in this field. We have been criticized here today for not analyzing the Brannan Plan. We did not analyze the Brannan Plan in particular nor any of the many plans that have been discussed over the years in this country or abroad. We attempted to stick to broad principles, and there was general agreement on these among the 13 committee members except for a few reservations noted in footnotes.

These principles are illustrated on page 32. To quote:

> As economists we accept the goal of equality for agriculture (and all other industries at the same time) as a condition in which the real returns to labor, management, and capital employed in agriculture (and each of its parts) is equivalent to what the persons or the units of capital could get in any other location or use. Approach to such equality requires the highest possible degree of business flexibility and personal freedom.
>
> (2) The term "parity" and the arithmetic formulas in which it has been computed do not well express this goal of equality for agriculture. The ratio of prices received by the farmer for his commodities and prices paid by him for farm and home supplies during the five-year period 1909-14 bears no clear or significant relationship to the economist's idea of equilibrium returns to labor, management, and capital in various farm and nonfarm uses. The attempt to freeze past relationships into the economic structure for the future impairs the flexibility and individual freedem which are needed for continuously better economic adjustments.